



6355-01-M

CONSUMER PRODUCT SAFETY COMMISSION

(CPSC Docket No. 15-C0005)

LG Electronics Tianjin Appliance Co., Ltd. and LG Electronics USA Inc., Provisional
Acceptance of a Settlement Agreement and Order

AGENCY: Consumer Product Safety Commission

ACTION: Notice

SUMMARY: It is the policy of the Commission to publish settlements which it provisionally accepts under the Consumer Product Safety Act in the Federal Register in accordance with the terms of 16 CFR1118.20(e). Published below is a provisionally-accepted Settlement Agreement with LG Electronics Tianjin Appliance Co., Ltd. and LG Electronics USA Inc. containing a civil penalty of \$1,825,000, within twenty (20) days of service of the Commission's final Order accepting the Settlement Agreement.

DATES: Any interested person may ask the Commission not to accept this agreement or otherwise comment on its contents by filing a written request with the Office of the Secretary by (insert date that is 15 calendar days from publication date).

ADDRESSES: Persons wishing to comment on this Settlement Agreement should send written comments to the Comment 15-C0005 Office of the Secretary, Consumer Product Safety Commission, 4330 East West Highway, Room 820, Bethesda, Maryland 20814-4408.

FOR FURTHER INFORMATION CONTACT: Dennis C. Kacoyanis, General Attorney,
Office of the General Counsel, Division of Enforcement and Information, Consumer
Product Safety Commission, 4330 East West Highway, Bethesda, Maryland 20814-4408;
telephone (301) 504-7587. SUPPLEMENTARY INFORMATION: The text of the
Agreement and Order appears below.

July 21, 2015

(Date)

Todd A. Stevenson

Secretary

**UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION**

In the Matter of:)	
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LG Electronics Tianjin Appliance Co.,)	CPSC Docket No.: <u>15-C0005</u>
Ltd. and LG Electronics USA Inc.)	
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SETTLEMENT AGREEMENT

1. In accordance with the Consumer Product Safety Act, 15 U.S.C. 2051 - 2089 (“CPSA”) and 16 CFR 1118.20, LG Electronics Tianjin Appliance Co., Ltd. and its affiliated U.S. company LG Electronics USA Inc. (collectively “LG” or “Firm”), and the United States Consumer Product Safety Commission (“Commission”), through its staff, hereby enter into this Settlement Agreement (“Agreement”). The Agreement, and the incorporated attached Order, resolve staff’s charges set forth below.

THE PARTIES

2. The Commission is an independent federal regulatory agency, established pursuant to, and responsible for the enforcement of, the CPSA, 15 U.S.C. 2051 - 2089. By executing the Agreement, staff is acting on behalf of the Commission, pursuant to 16 C.F.R. § 1118.20(b). The Commission issues the Order under the provisions of the CPSA.

3. LG Electronics Tianjin Appliance Co., Ltd. is a Chinese corporation with its principal corporate offices in Tianjin, China. LG Electronics USA, Inc. is a Delaware corporation with its principal corporate offices located in Englewood Cliffs, NJ.

STAFF CHARGES

Dehumidifiers

4. From 2003 to 2005 LG manufactured and imported about 795,000 Dehumidifiers (“Dehumidifiers” or “Subject Products”) under a major U.S. retailer’s brand name. The retailer sold the Subject Products until 2009. The dehumidifiers consist of the following models: (a) 70-pint, model nos. 580.53701300/400/500; (b) 35-pint, model no. 580.54351400; and (c) 50-pint, model no. 580.5309300.

5. The Dehumidifiers are “consumer products” “distributed in commerce,” as those terms are defined or used in section 3(a)(5) and (8) of the CPSA, 15 U.S.C. § 2052(a)(5) and (8). LG Electronics Tianjin Appliance Co., Ltd. and LG Electronics USA Inc. were “manufacturers” of the Subject Products, as such term is defined in section 3(a)(11) of the CPSA, 15 U.S.C. § 2052(a)(11).

6. The Dehumidifiers contain a defect which could create a substantial product hazard or creates an unreasonable risk of serious injury or death in that the Dehumidifiers’ motors posed a fire and burn risk to consumers.

7. Between 2003 and 2009 LG received complaints of smoke and fire damage resulting from overheating of the motors and electrical failures in the Subject Products. During this period three consumers reported smoke inhalation injuries. The Subject Products’ failures also resulted in serious fires causing extensive property damage.

8. Despite having information regarding the defect and the unreasonable risk of serious injury or death LG did not immediately notify the Commission, as required by

section 15(b)(3) and (4) of the CPSA, 15 U.S.C. § 2064(b)(3) and (4). LG notified the Commission about the Dehumidifiers only after its principal retailer notified the Commission.

Failure to Report

9. In failing to inform the Commission immediately about the Dehumidifiers, LG knowingly violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term “knowingly” is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

10. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, LG is subject to civil penalties for its knowing failure to report, as required under section 15(b) of the CPSA, 15 U.S.C. § 2064(b).

RESPONSE OF LG

11. LG does not admit the charges set forth in paragraphs 4 through 10 above, including, but not limited to, the charge that the Subject Products contained a defect that could create a substantial product hazard or creates an unreasonable risk of serious injury or death, the charge that LG failed to notify the Commission in a timely manner in accordance with section 15(b) of the CPSA, 15 U.S.C. § 2064(b), and the charge that LG “knowingly” violated section 19(a)(4) of the CPSC, 15 U.S.C. § 2068(a)(4).

12. At all relevant times, LG has had a product safety compliance program and has improved that program over time. LG has voluntarily reported to the Commission in the past when it believed an obligation to report existed under the CPSA.

13. LG enters into this Agreement to settle this matter without the delay and expense of litigation.

AGREEMENT OF THE PARTIES

14. Under the CPSA, the Commission has jurisdiction over the matter involving the Subject Products described herein and over LG Electronics USA, Inc. LG Tianjin Appliance Co., Ltd., has agreed to a limited waiver of its jurisdictional defenses solely for the purpose of resolving this dispute.

15. The parties enter into the Agreement for settlement purposes only. The Agreement does not constitute an admission by LG or a determination by the Commission that LG violated the CPSA's reporting requirements.

16. The parties agree that LG's conduct set forth in the staff's allegations is subject to the civil penalty amounts in effect from January 1, 2005 to August 13, 2009.

17. In settlement of staff's charges, and to avoid the cost, distraction, delay, uncertainty, and inconvenience of protracted litigation or other proceedings, LG shall pay a civil penalty in the amount of one million, eight hundred twenty-five thousand dollars (\$1,825,000) within thirty (30) calendar days after receiving service of the Commission's final Order accepting the Agreement. The payment shall be made by electronic wire transfer to the Commission via: <http://www.pay.gov>.

18. After staff receives this Agreement executed on behalf of LG, staff shall promptly submit the Agreement to the Commission for provisional acceptance. Promptly following provisional acceptance of the Agreement by the Commission, the Agreement shall be placed on the public record and published in the *Federal Register*, in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written request not to accept the Agreement within fifteen (15) calendar days,

the Agreement shall be deemed finally accepted on the 16th calendar day after the date the Agreement is published in the *Federal Register*, in accordance with 16 C.F.R. § 1118.20(f).

19. This Agreement is conditioned upon, and subject to, the Commission's final acceptance, as set forth above, and it is subject to the provisions of 16 C.F.R. § 1118.20(h). Upon the later of: (i) Commission's final acceptance of this Agreement and service of the accepted Agreement upon LG, and (ii) the date of issuance of the final Order, this Agreement shall be in full force and effect and shall be binding upon the parties.

20. Effective upon the later of: (i) the Commission's final acceptance of the Agreement and service of the accepted Agreement upon LG, and (ii) and the date of issuance of the final Order, for good and valuable consideration, LG hereby expressly and irrevocably waives and agrees not to assert any past, present, or future rights to the following, in connection with the matter described in this Agreement: (i) an administrative or judicial hearing; (ii) judicial review or other challenge or contest of the Commission's actions; (iii) a determination by the Commission of whether LG failed to comply with the CPSA and the underlying regulations; (iv) a statement of findings of fact and conclusions of law; and (v) any claims under the Equal Access to Justice Act.

21. LG has and shall maintain a compliance program designed to ensure compliance with the CPSA with respect to any consumer product imported, manufactured, distributed or sold by LG in the United States, and which shall contain the following elements:

- (i) written standards, policies and procedures, including those designed to ensure that information that may relate to or impact CPSA compliance (including information obtained by quality control personnel) is conveyed effectively to personnel responsible for CPSA compliance;
- (ii) a mechanism for confidential employee reporting of compliance-related questions or concerns to either a compliance officer or to another senior manager with authority to act as necessary;
- (iii) effective communication of company compliance-related policies and procedures regarding CPSA to all applicable employees through training programs or otherwise;
- (iv) LG senior management responsibility for, and general board oversight of, CPSA compliance; and
- (v) retention of all CPSA compliance-related records for at least five (5) years, and availability of such records to staff upon reasonable request.

22. LG has, and shall maintain and enforce, a system of internal controls and procedures designed to ensure that, with respect to all consumer products imported, manufactured, distributed or sold by LG in the United States: (i) information required to be disclosed by LG to the Commission is recorded, processed and reported in accordance with applicable law; (ii) all reporting made to the Commission is timely, truthful, complete, accurate and in accordance with applicable law; and (iii) prompt disclosure is made to LG's management of any significant deficiencies or material weaknesses in the design or operation of such internal controls that are reasonably likely to affect adversely,

in any material respect, LG's ability to record, process and report to the Commission in accordance with applicable law.

23. Upon reasonable request of staff, LG shall provide written documentation of its internal controls and procedures, including, but not limited to, the effective dates of the procedures and improvements thereto. LG shall cooperate fully and truthfully with staff and shall make available all non-privileged information and materials, and personnel deemed necessary by staff to evaluate LG's compliance with the terms of the Agreement.

24. The parties acknowledge and agree that the Commission may publicize the terms of the Agreement and the Order.

25. LG represents that the Agreement: (i) is entered into freely and voluntarily, without any degree of duress or compulsion whatsoever; (ii) has been duly authorized; and (iii) constitutes the valid and binding obligation of LG, enforceable against LG in accordance with its terms. LG will not directly or indirectly receive any reimbursement, indemnification, insurance-related payment, or other payment in connection with the civil penalty to be paid by LG pursuant to the Agreement and Order. The individuals signing the Agreement on behalf of LG represent that they are duly authorized by LG to execute the Agreement.

26. The Agreement is governed by the laws of the United States.

27. The Agreement and the Order shall apply to, and be binding upon, LG and each of its successors, transferees, and assigns, and a violation of the Agreement or Order may subject LG, and each of its successors, transferees and assigns, to appropriate legal action.

28. The Agreement and the Order constitute the complete agreement between the parties on the subject matter contained therein.

29. The Agreement may be used in interpreting the Order. Understandings, agreements, representations, or interpretations apart from those contained in the Agreement and the Order may not be used to vary or contradict their terms. For purposes of construction, the Agreement shall be deemed to have been drafted by both of the parties and shall not, therefore, be construed against any party for that reason in any subsequent dispute.

30. The Agreement may not be waived, amended, modified, or otherwise altered, except as in accordance with the provisions of 16 C.F.R. § 1118.20(h). The Agreement may be executed in counterparts.

31. If any provision of the Agreement or the Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and the Order, such provision shall be fully severable. The balance of the Agreement and the Order shall remain in full force and effect, unless the Commission and LG agree in writing that severing the provision materially affects the purpose of the Agreement and the Order.

(continued on next page)

LG ELECTRONICS TIANJIN APPLIANCE CO., LTD.

By: _____

Date: July 2, 2015

Zhide Pang

Manager of External/Legal Affairs Part

LG Electronics Tianjin Appliance Co., Ltd.

JinWei Road

BeiChen District

Tianjin, China

LG ELECTRONICS USA, INC.

By: _____

Date: June 30, 2015

Chris Kim
Senior Counsel, NA Product Safety
LG Electronics USA, Inc.
910 Sylvan Avenue
Englewood Cliffs, New Jersey 07632

By: _____ Date: July 2, 2015

John W. Moss, Esq.
Winston & Strawn LLP
1700 K Street NW
Washington, D.C. 20006-3817

U.S. CONSUMER PRODUCT SAFETY COMMISSION

Stephanie Tsacoumis
General Counsel

Melissa V. Hampshire
Assistant General Counsel

By: _____ Date: July 2, 2015

Dennis C. Kacoyanis
Alexander W. Dennis
General Attorneys
Division of Enforcement and Information
Office of the General Counsel

**UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION**

In the Matter of:

LG Electronics Tianjin Appliance Co.,
Ltd. and LG Electronics USA Inc.

CPSC Docket No.: 15-C0005

ORDER

Upon consideration of the Settlement Agreement entered into between LG Electronics Tianjin Appliance Co., Ltd. and LG Electronics USA Inc. (“LG”), and the U.S. Consumer Product Safety Commission (“Commission”), and the Commission having jurisdiction over the subject matter and over LG, and it appearing that the Settlement Agreement and the Order are in the public interest, it is:

ORDERED that the Settlement Agreement be, and is, hereby, accepted; and it is

FURTHER ORDERED that LG shall comply with the terms of the Settlement Agreement and shall pay a civil penalty in the amount of one million, eight hundred twenty-five thousand dollars (\$1,825,000) within thirty (30) days after service of the Commission’s final Order accepting the Settlement Agreement. The payment shall be made by electronic wire transfer to the Commission via: <http://www.pay.gov>. Upon the failure of LG to make the foregoing payment when due, interest on the unpaid amount shall accrue and be paid by LG at the federal legal rate of interest set forth at 28 U.S.C. § 1961(a) and (b). If LG fails to make such payment or to comply in full with any other

provision of the Settlement Agreement, such conduct will be considered a violation of the Settlement Agreement and Order.

Provisionally accepted and provisional Order issued on the 21st day of July, 2015.

BY ORDER OF THE COMMISSION:

Todd A. Stevenson, Secretary
U.S. Consumer Product Safety Commission

[FR Doc. 2015-18150 Filed: 7/23/2015 08:45 am;
Publication Date: 7/24/2015]